



Katrina-Rita Transportation Recovery Update

**Remarks of
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Thank you for the opportunity to speak before this 16th Annual Breakbulk Conference and Exhibition hosted by the *Journal of Commerce* and the Port of New Orleans. I appreciate the invitation, and am grateful for the opportunity to join you in Houston today on behalf of President Bush and Secretary of Transportation Norm Mineta.

I spoke at this very Conference in New Orleans around this time last year. While all of us are unhappy that the conference could not be held in New Orleans again this year, we all understand why. In that connection, I want to thank Thomas Kornegay, who runs the Port of Houston, for welcoming this conference to Houston this year. We are all grateful to you and your team, Tom, for making this happen on such short notice.

Let's talk about the Port of New Orleans for a moment. America's fifth largest port, gateway to the Nation's interior, was handling commercial cargo on September 13, only two weeks after the hurricane made landfall. It will be 100 percent operational in a few short months. The Port of New Orleans is to be congratulated on its successes thus far in the immense struggle with Mother Nature.

In the wake of Katrina, we need to remember that the challenge is not simply recovery, but sustainability, flexibility, and expansion that will keep pace with an ever expanding global economy.

At last year's Breakbulk Conference, I commended the Port for investing over \$400 million within the decade to improve its breakbulk and container terminals, to expand its marshalling yards, and to build a new roadway for truck traffic. New Orleans is one of

America's leading general cargo ports, handling some 17 million tons of cargo per year. An efficient private breakbulk industry produced impressive results there, making the port among the largest in the country for shipments of steel, natural rubber, plywood and coffee. The breakbulk industry is indispensable to America's economy and we, at DOT, support your continued investment in the efficient distribution of breakbulk goods, not only to and from our ports, but throughout our nation and internationally.

The importance of our ports is fully understood in Washington. This Administration is pushing hard to incorporate the needs of our marine sector into a blueprint for a next generation transportation system: one that can handle emergency situations, like Katrina; one that is developed to accommodate the intermodal nature of freight in today's economy; one that can provide for the ever increasing demand for capacity without compromising safety or security.

I want to take a little time this morning, first, to acknowledge the support that our ports community has given to the Gulf region in the aftermath of Hurricane Katrina; second, to briefly describe the Department of Transportation's role in the response and recovery effort; and finally, to talk about some new developments within DOT that support the breakbulk industry and its users.

Private Industry's Role in the Port's Recovery after Hurricane Katrina

Although the Federal government fully recognizes the critical role of ports in the nation's economy, we know that it is your private investments that are vital to keeping the breakbulk industry and the Port of New Orleans competitive and responsive to its consumer base. Secretary Mineta has spoken often about his visit to the Port of New Orleans on September 14. He saw trucks, equipment, and personnel from the Port of Houston working in New Orleans, with Gary LaGrange, helping to get operations back on track. Thank you, Houston, for lending a hand to New Orleans during this critical time. This is the kind of support that will bring the Port of New Orleans back to full, and better, operation.

It would be preposterous to suggest that there could ever be a silver lining on a cloud as large and dark as the one left behind by these hurricanes. But these events have proven the immense power of private industry in times of crisis. Specifically, shortly after Hurricane Katrina devastated New Orleans with flooding, Osprey Marine -- a U.S.-flag operating company -- loaded a full barge of relief supplies in Baton Rouge. It boarded food, water, and bulky debris clearing equipment, all destined for New Orleans. Later, when it became apparent that the Mississippi wasn't safe for navigation, Osprey continued to provide vessel service from Houston by using its shallow draft vessels on other waterways.

A U.S.-flag roll-on, roll-off barge carried perhaps the most critical piece of breakbulk cargo associated with Hurricane Katrina relief. Not many people are aware that the U.S.-flag vessel, Helen S, of the Maybank Shipping Company, Inc., delivered the oversized

power generation plant from Mobile, Alabama, to Port Fourchon, Louisiana that restarted the critical Louisiana Offshore Oil Pumping station.

In other words, your community played a vital role in the response efforts, and it's a story that I hope will be told more widely. I understand that a portion of the proceeds from this event are being sent to the American Red Cross. That's the kind of generosity I'm talking about. We are all in your debt.

DOT's Role in Emergency Relief and Recovery

Now I want to share with you what the Department of Transportation's responsibilities are, the role we played in New Orleans specifically, and what types of things we are doing in the recovery stage.

In an event like Katrina, the Department has very specific roles and responsibilities. In 2003, long before Katrina hit the Gulf, President Bush directed the Department of Homeland Security to prepare a National Response Plan, NRP. Within the NRP, which is directed by DHS and FEMA, there are several emergency support functions, or ESFs. ESF-1 covers transportation and calls on DOT to do a number of things during an incident of national significance:

First, we process and coordinate requests for Federal and civil transportation support. Then we report damage to transportation infrastructure as a result of the incident. Third, we coordinate alternate transportation services as they are needed. Fourth, we perform all of the activities you would expect us to perform under our normal statutory authority – for aviation, marine transportation, roads and highways, rail, and pipelines. Finally, we coordinate and support prevention/preparedness/mitigation among transportation infrastructure stakeholders at the State and local levels.

In terms of recovery, DOT oversees federal infrastructure programs that support the rebuilding of highway, bridge, marine-port and airport assets from damage due to an event like Katrina. We also support port authorities, transit agencies, and private rail and pipeline operators in assessing damage to their infrastructure, identifying specific needs, and restoring service to their customers.

Maritime Response and Recovery

DOT's Maritime Administration supported the response efforts in New Orleans through immediate use of two of its Ready Reserve Force vessels that were docked at the Port of New Orleans when Katrina made landfall. The Cape Knox and Cape Kennedy were utilized by the New Orleans Port Authority to help restore port operations within days. Overall, more than ten RRF ships were deployed to the Gulf area, eight of which remain deployed today. They have provided auxiliary electrical power for the ports; living space for port workers and oil spill clean up professionals; and storage space for emergency response gear.

You need to know about the Ready Reserve Force. The RRF was established in 1976 and was significantly strengthened after the Gulf War in 1991 in order to ensure the military's continued access to cargo capacity. Currently, MARAD manages a fleet of 54, all-cargo Ready Reserve Force ships. Before this year's hurricanes, there had been more than 90 activations of these vessels; the cargo they carried during those missions occupied nearly 15,000,000 square feet of deck space – the equivalent of more than 300 football fields.

As I said, the RRF program was designed to support the *military* in times of national or international crisis. In this case, however, Secretary Mineta activated the RRF vessels in support of a *civilian* mission for the first time. We are grateful to the Departments of Defense and Homeland Security, as well as FEMA, for ensuring that these DOT vessels could be deployed in the Gulf expeditiously, with as little red-tape as possible. Because the ships have proved to be so valuable in the recovery effort, we are now exploring whether the mission of the fleet should be explicitly changed to ensure their rapid availability in future civilian disasters.

DOT and MARAD also supported recovery in the region by gathering, assimilating, and distributing valuable information to shippers and users. As those of you in the international trade business know, current information about port, rail, highway, and waterway conditions is vital in making sound transportation decisions. We made it a priority to support the industry by providing this valuable information to the public. The DOT and MARAD staffs continuously surveyed conditions in all the modes and ports and expanded our normal semi-weekly news to provide a constant stream of informational "MaradGrams" to industry. We appreciate the favorable comments several of you expressed. If you want to be added to our normal distribution list, just send an email to cargo.marad@dot.gov and we will be happy to include you.

MARAD was quick to respond and will continue the support until the "exit plan," which is being coordinated with the Port of New Orleans, is fully executed.

Committee on the Marine Transportation System and its Role in Response and Recovery

Following his receipt of the report of the Commission on Oceans Policy, and in response to increasing concerns about the marine system's capacity, President Bush brought twelve agencies together as part of a new, elevated entity called the Committee on the Marine Transportation System. He put the new Committee, chaired by the Secretary of Transportation, on a par with other high-level Cabinet agencies, thereby giving it – and the maritime sector – the attention and visibility they rightly deserve. Two months prior to the hurricanes, Secretary Mineta led the inaugural meeting of the CMTS at the White House. The Cabinet-level members approved a charter that will serve as a solid foundation on which to build. The CMTS represents a robust, new structure for addressing critical maritime policy issues in a more integrated and comprehensive way than we have ever done before.

The timing for the CMTS could not have been better. In response to Katrina, DOT worked closely with other federal agencies, local authorities and private entities to make quick, ad-hoc decisions to revitalize the transportation infrastructure in the region as quickly as possible. From this point forward, maritime-related recovery operations will be coordinated through the CMTS. Looking further into the future, the CMTS will be able to pull together the resources and expertise of its component agencies to respond to emergencies even more rapidly and effectively than what we saw in the aftermath of Katrina, with special attention to the needs of the maritime sector.

Response and Recovery Efforts in Other Modes

Just to round out this account of DOT's role in the recovery effort, I want to tell you about some of the things relating to other modes of transportation that the Department did to evacuate residents, move supplies, and begin making critical repairs to damaged transportation systems.

Here are a few examples:

- We coordinated the largest civilian airlift operation in U.S. history out of New Orleans, evacuating over 24,400 people from the city.
- We repaired and restored navigational and air traffic equipment so commercial air service could return to all of the region's commercial airports. That work is still going on.
- We facilitated the relocation of emergency generators to allow key oil pipelines to resume operations within a week of Hurricane Katrina.
- We worked with Louisiana officials to expedite approval of an incentive contract to repair and reopen the I-10 Twin Span Bridges between New Orleans and Slidell.
- We quickly approved financial incentives so the I-10 Pascagoula Bridge in Mississippi could reopen on October 1st, more than a week ahead of schedule.
- We provided 11,377 trucks that moved 14,097 truckloads of goods, including 25 million liters of water, 19 million ready-to-eat meals, 13 million pounds of ice, 11 thousand generators, and 2,000 mobile homes.
- The Department's Federal Railroad Administration and the freight railroads are continually exchanging information on freight cars damaged by submersion to assure that they are properly inspected and repaired.

Government Maritime Sector Initiatives

That completes my DOT hurricane recovery report for today. Before closing, however, I thought it might be useful to talk about some other important developments in Washington likely to be of importance to the breakbulk industry.

It is important to understand what drives the need for more robust transportation infrastructure and services. Global trade liberalization has been a major pursuit of President Bush and this Administration. Recently, we signed yet another maritime agreement – this time with Brazil. With close to 200 million people, Brazil is a land of opportunity for American products. In 2004 alone, American exports to Brazil topped \$13 billion. As the U.S. continues to preserve and expand opportunity in the international marketplace, you know better than most what Secretary Mineta is talking about when he says that “all the maritime deals in the world will accomplish nothing unless we confront the twin challenges of capacity and congestion.”

Perhaps most importantly from the Department of Transportation’s perspective, our economy relies increasingly on seamless connections between all modes of transportation. Port facilities and the highway and rail networks that serve them are critical elements in that system. Let me highlight some new developments in the Department’s efforts to support your industry.

The Transportation Freight Financing Program

At last year’s Breakbulk conference, the Export-Import Bank and MARAD announced plans to introduce a new Transportation Freight Financing Program that would provide working capital loan guarantees for shippers, freight forwarders, and other logistics providers covering any commercial cargoes that move on U.S.-flag vessels. As Ex-Im Director Linda Conlin mentioned in her keynote speech yesterday, the program is now open for business. The program will benefit small businesses that export American products, the freight forwarding industry, and U.S.-flag carriers. The program can cover any transportation costs related to exports that move on U.S.-flag vessels, such as rail, trucking, warehousing, marine insurance and, of course, ocean freight charges. I encourage you to take advantage of this valuable new resource.

SAFETEA-LU Provisions of Interest to the Breakbulk Community

Last August President Bush signed a multi-year surface transportation reauthorization bill – the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (or SAFETEA-LU). Although primarily targeted to surface transportation, SAFETEA-LU also promotes intermodal connectivity in a variety of innovative ways.

Overall, SAFETEA-LU builds on the strong foundations of ISTEA and TEA-21. It increased overall funding to an average of \$49 billion per year (\$244 billion over 5 years) from an average of \$33 billion per year in TEA-21 (\$198 billion over 6 years). It contains a great many programs aimed at improving freight mobility and economic

productivity. In particular, it encourages creativity and finding new ways to solve old problems.

A number of specific provisions should be of interest to the New Orleans Breakbulk Community:

- The bill increased the funding available for the National Highway System and Connectors. Projects to build access roads, connecting the flow of traffic to and from ports, are eligible for these funds. Overall Federal funding available for these projects is approximately \$6 billion for FY06.
- The Transportation Infrastructure Finance and Innovation Act, or TIFIA program, provides Federal credit assistance to nationally or regionally significant surface transportation projects, now including rail and freight facilities used for intermodal interchange, transfer, and access into and out of a port. The minimum project size was lowered in SAFETEA-LU from \$100 million to \$50 million, thereby making it a newly attractive option for port development. The program is designed to fill market gaps and leverage substantial private co-investment by providing projects with supplemental or subordinate debt.
- The Railroad Rehabilitation and Improvement Financing Program (RRIF) was expanded tenfold from \$3.5 billion to \$35 billion in available loans to expand or improve rail track serving a facility that is currently served by only a single railroad.
- The bill makes it possible for the first time to use tax-exempt Private Activity Bonds for the financing of freight transfer facilities, including temporary storage facilities.

Conclusion

Those of us in government with responsibility for national transportation policy have to be cognizant of your requirements and creative in our approaches to developing increased capacity throughout the system. Increasing capacity or improving operational flows in one mode won't help much if we don't address bottlenecks in another. For this reason, I encourage you to get involved in policy discussions at local, State, and Federal levels. Help us to make the appropriate tools available for you to recover, strengthen, and maintain this vital sector in our transportation infrastructure. You must ensure that the voice of your industry is heard and reflected in new policy. Now is the perfect time.

Thank you for inviting me to be with you today, and for allowing me to share these thoughts with you.

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